

Stay Well Afford Care Secure Coverage

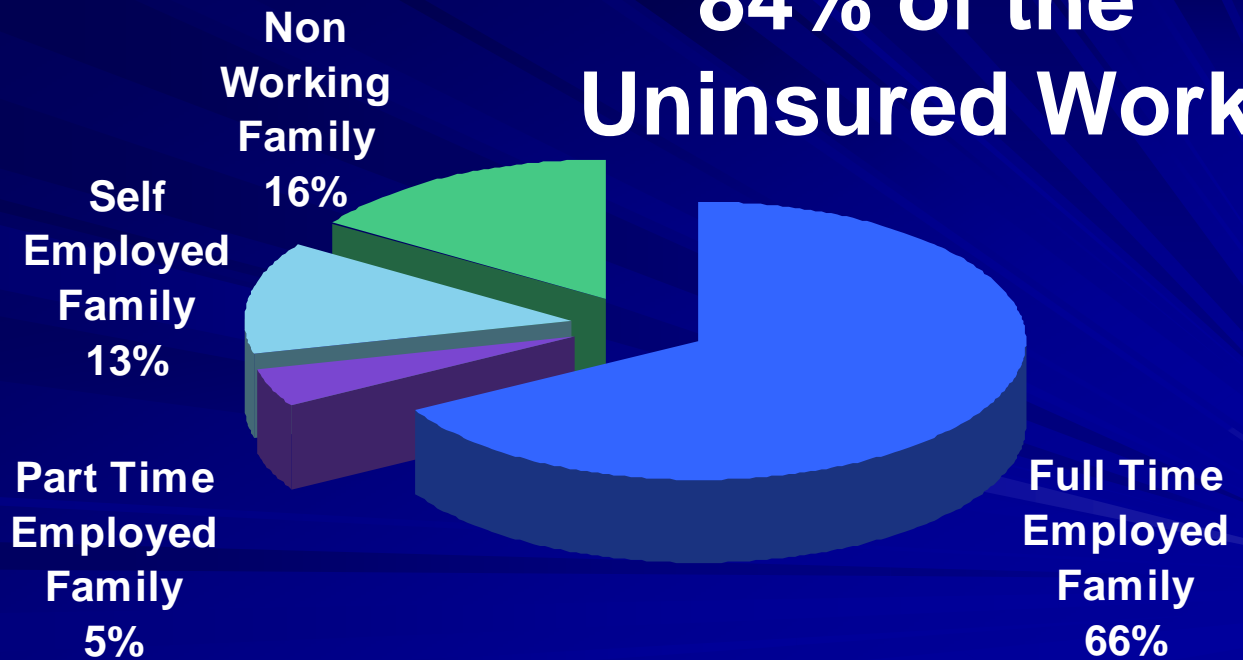
Our Broken Health Care System

6.5 Million Uninsured

20% of Population

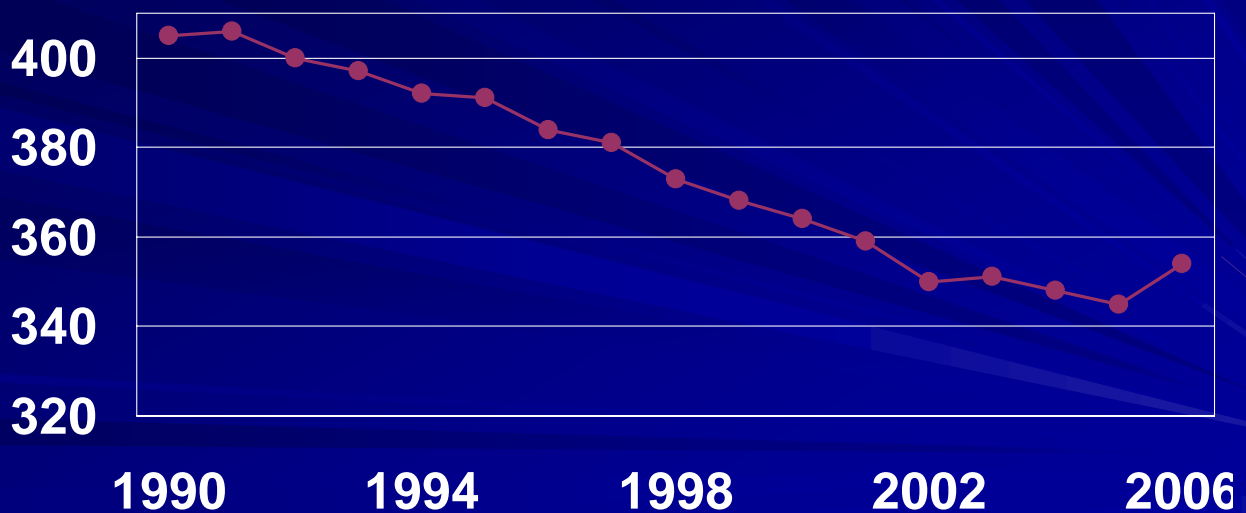
Source: California Health Interview Survey, 2005

84% of the Uninsured Work



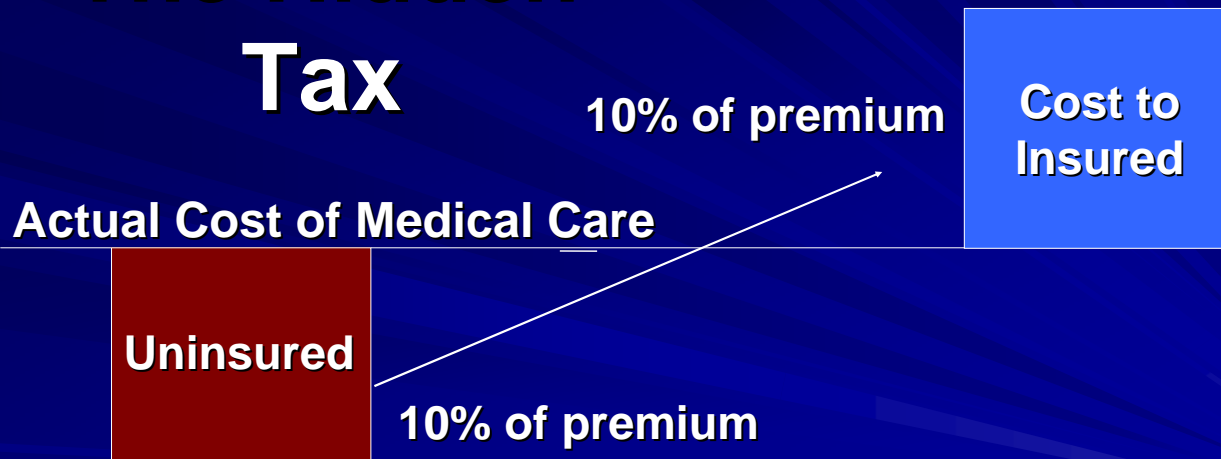
Source: California Health Interview Survey, 2005

Emergency Departments Closing



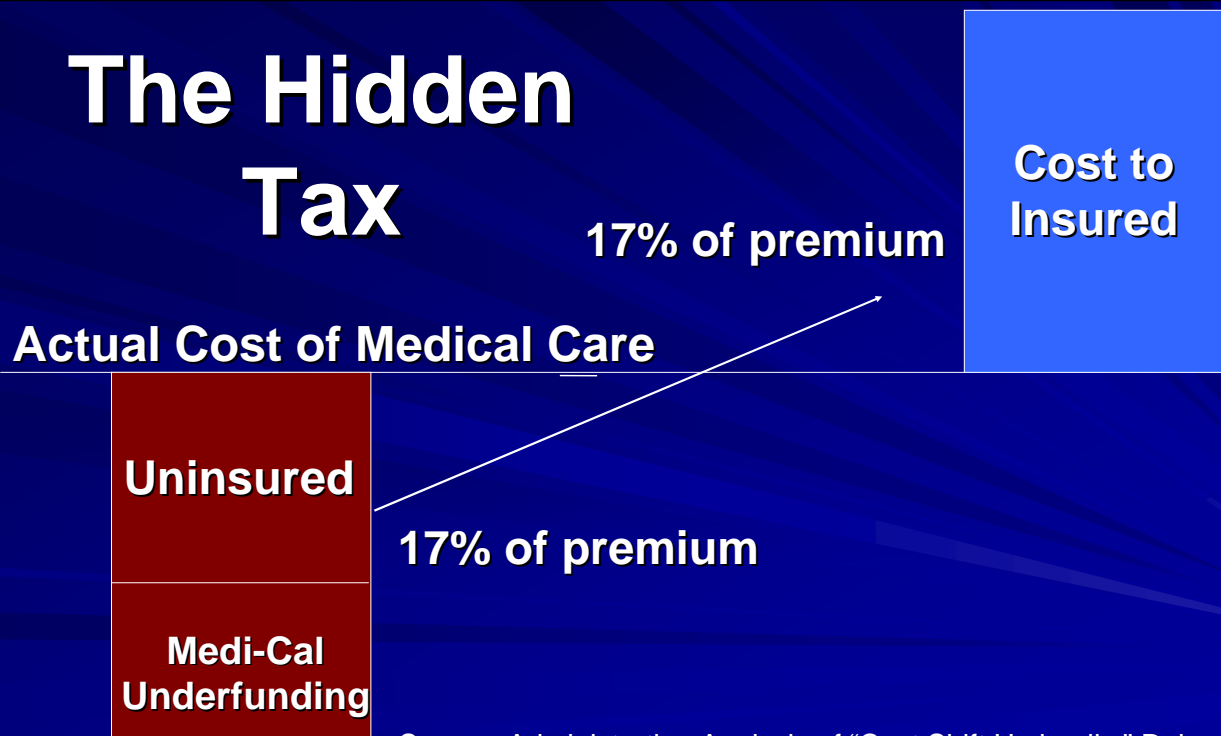
Source: Office of Statewide Health Planning and Development

The Hidden Tax



Source: New America Foundation

The Hidden Tax



Source: Administration Analysis of "Cost Shift Hydraulic," Dobson

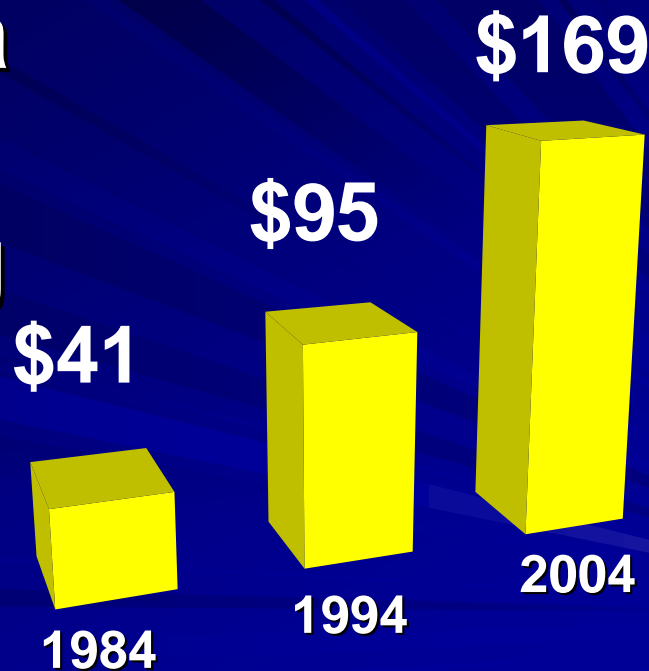
Hidden Tax

Individuals: \$455

Families: \$1,186

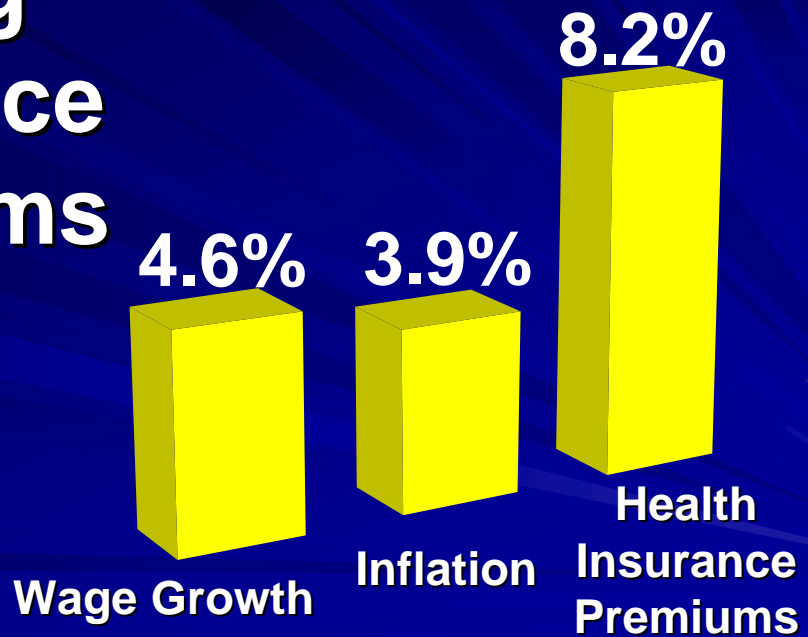
Source: New America Foundation

California Health Spending *in Billions*



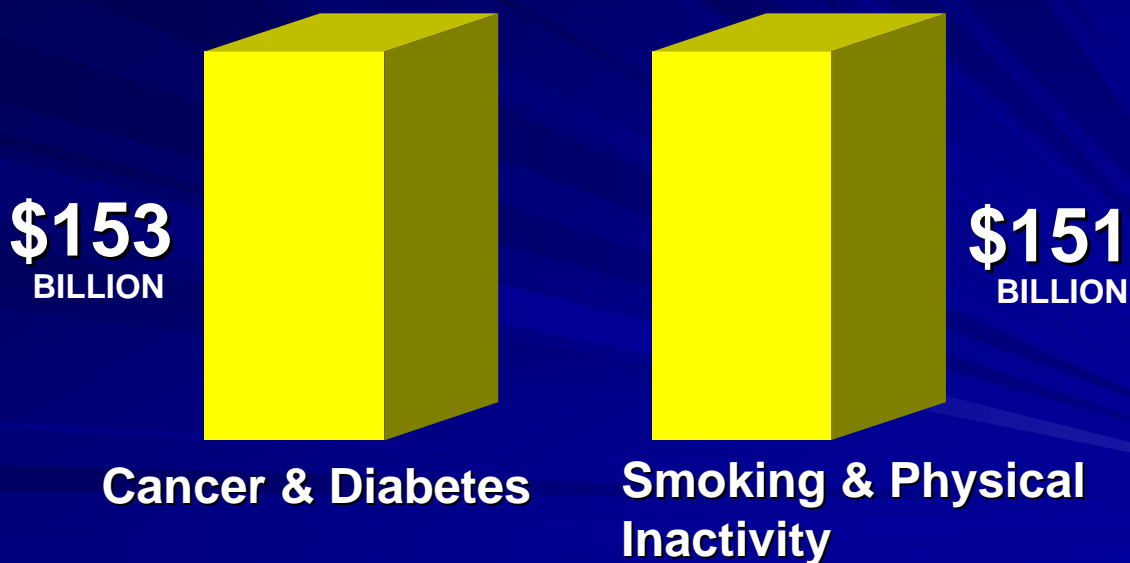
Source: Centers for Medicare and Medicaid Services

Rising Insurance Premiums



Source: CA Employer Health Benefits Survey 2005, Dept. of Finance

Drivers of Cost: Chronic Diseases



Source: Centers for Disease Control and Prevention, 2003, U.S. Data

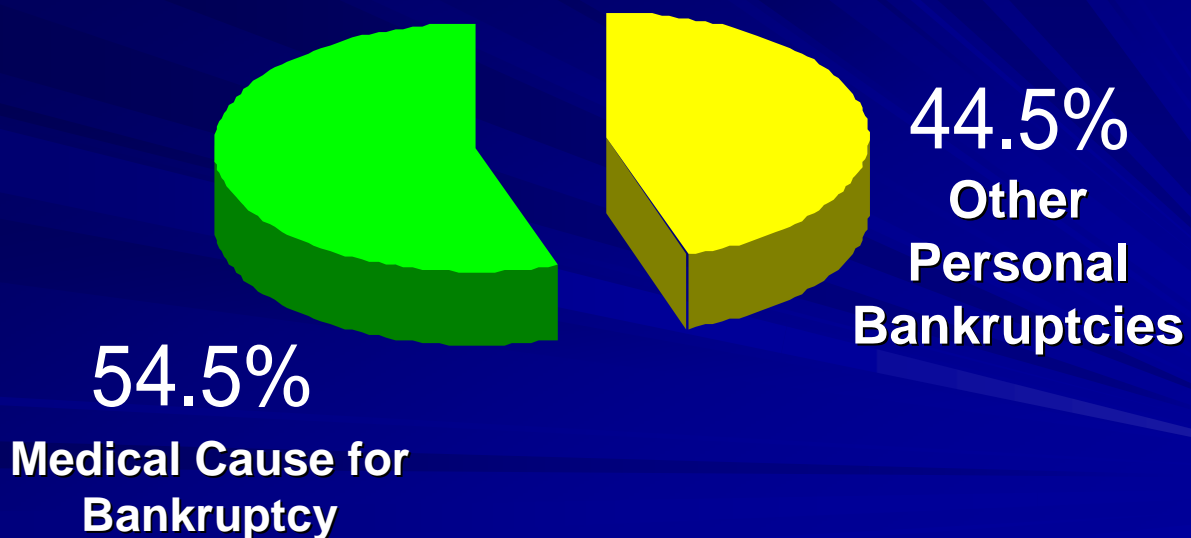
Drivers of Cost: Medical Errors

23,000 Deaths

Cost: >\$4 Billion

Source: CA Department of Health Services

Uninsured: Financial Impact



Source: "Illness and Injury as Contributors to Bankruptcy," *Health Affairs Web Exclusive*, February 2005

Fixing Our Broken System

- Reduce the hidden tax;
lower costs
- Coverage for all; support
better care
- Healthy California

Governor's Health Care Initiative

- Prevention / Wellness
- Shared Responsibility
/ Coverage for All
- Affordability

Governor's Health Care Initiative

■ Prevention / Wellness

Prevention & Wellness

Healthier State – Long Term Affordability

■ Offer Consumers Incentives and Rewards

–Tied to preventive health practices

■ Diabetes prevention and treatment

Prevention & Wellness

Healthier State – Long Term Affordability

■ Reduce Medical Errors

- E-prescribing of all prescriptions
- Strengthen patient safety & accountability

Prevention & Wellness

Healthier State – Long Term Affordability

■ National Leader: Prevent Obesity

- Implement comprehensive strategy to reverse obesity epidemic: public awareness & outreach, improve access to nutritious foods and physical activity

Prevention & Wellness

Healthier State – Long Term Affordability

■ Continue Tobacco Control Leadership

– Increase assistance to those seeking to quit smoking

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility / Coverage for All

Shared Benefit

INDIVIDUALS

Access to
affordable coverage
Healthier CA

Shared Benefit

GOVERNMENT

Healthy, productive & economically
competitive state

INDIVIDUALS

Access to
affordable coverage
Healthier CA

Shared Benefit

GOVERNMENT

Healthy, productive & economically competitive state

INDIVIDUALS

Access to affordable coverage
Healthier CA

DOCTORS & HOSPITALS

Fairly compensated

Shared Benefit

GOVERNMENT

Healthy, productive & economically competitive state

INDIVIDUALS

Access to affordable coverage
Healthier CA

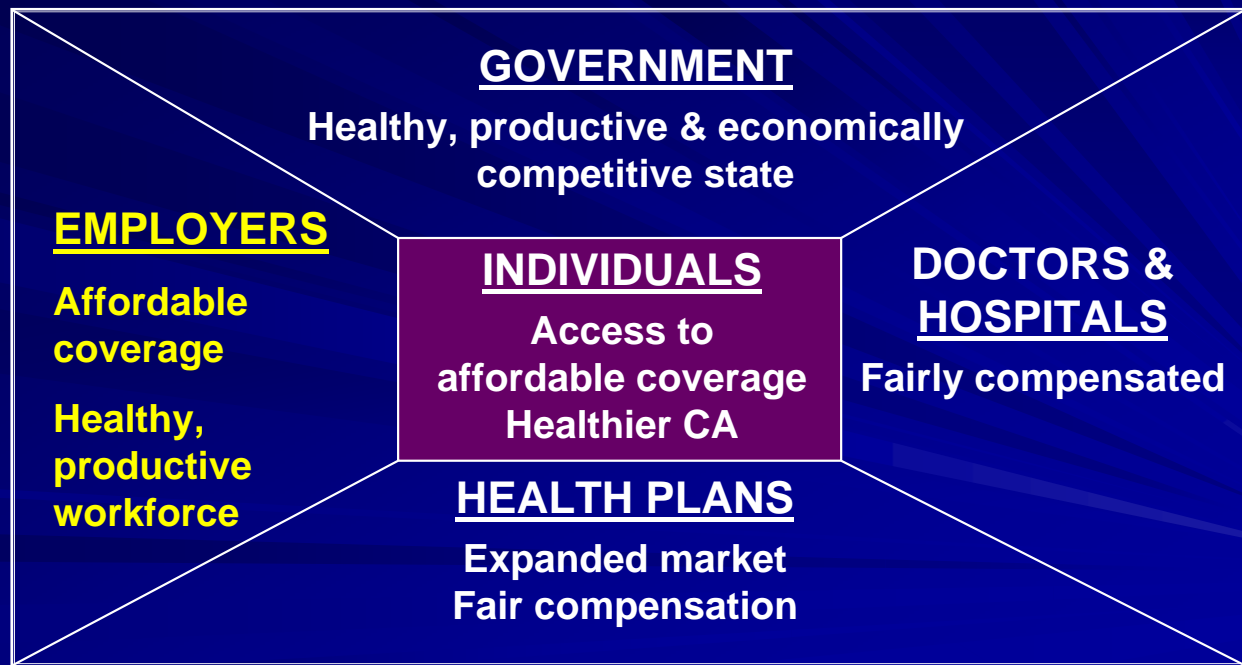
DOCTORS & HOSPITALS

Fairly compensated

HEALTH PLANS

Expanded market
Fair compensation

Shared Benefit

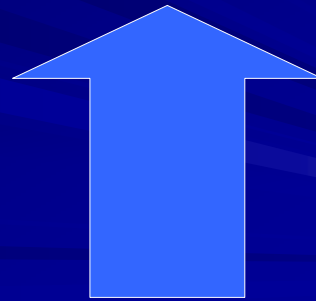
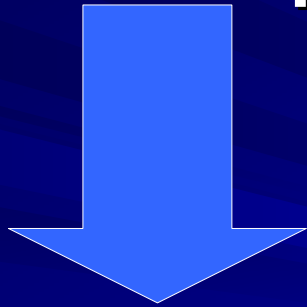


Fixing the Broken System

Creating an efficient, competitive market dynamic

Payment Sources

Commercial payer overpayment



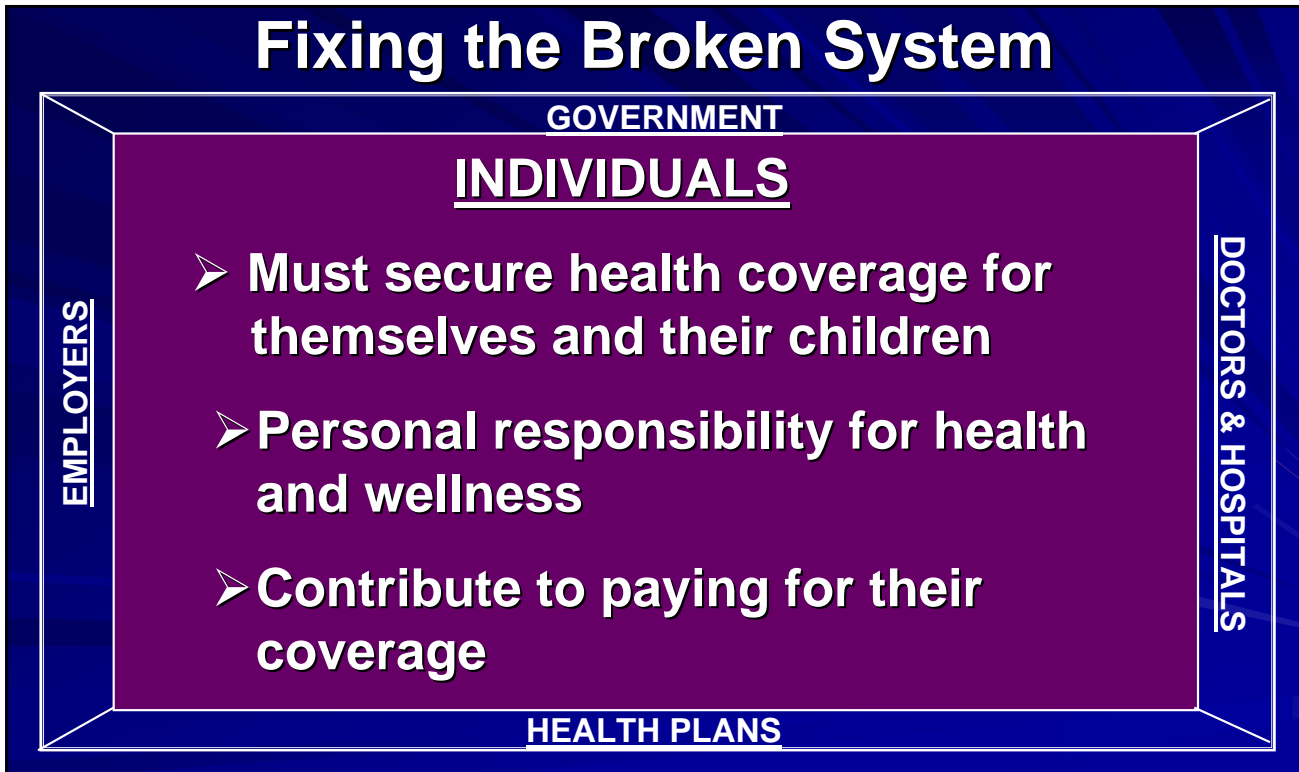
Medi-Cal/Uninsured Underpayment

Shared Responsibility

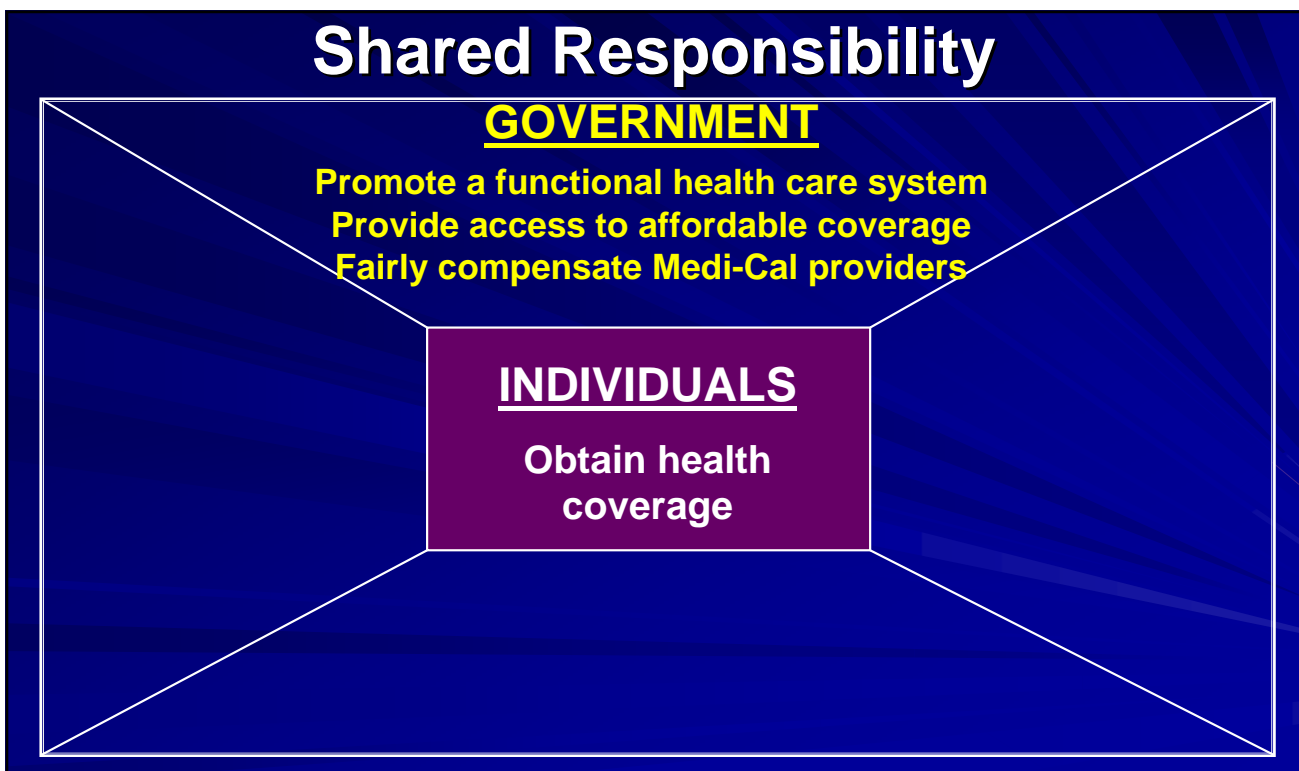
INDIVIDUALS

**Obtain Health
Coverage**

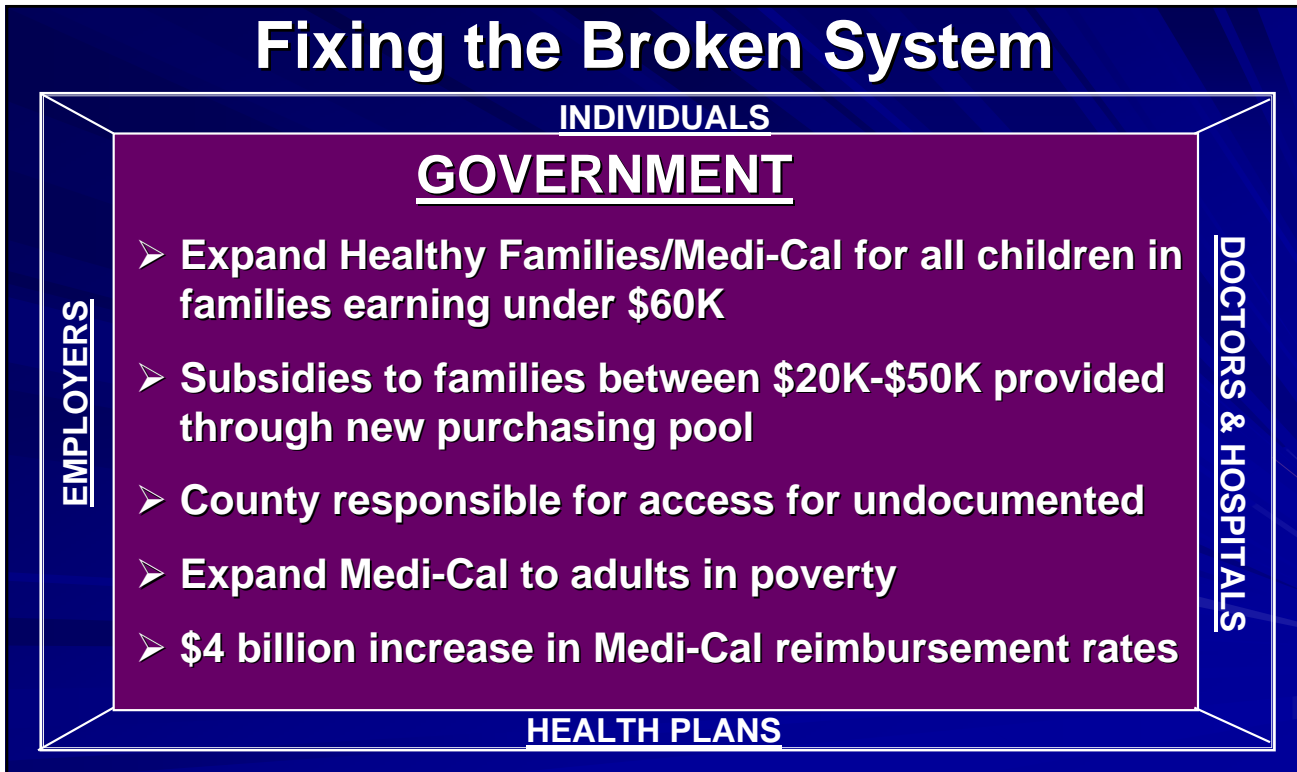
Fixing the Broken System



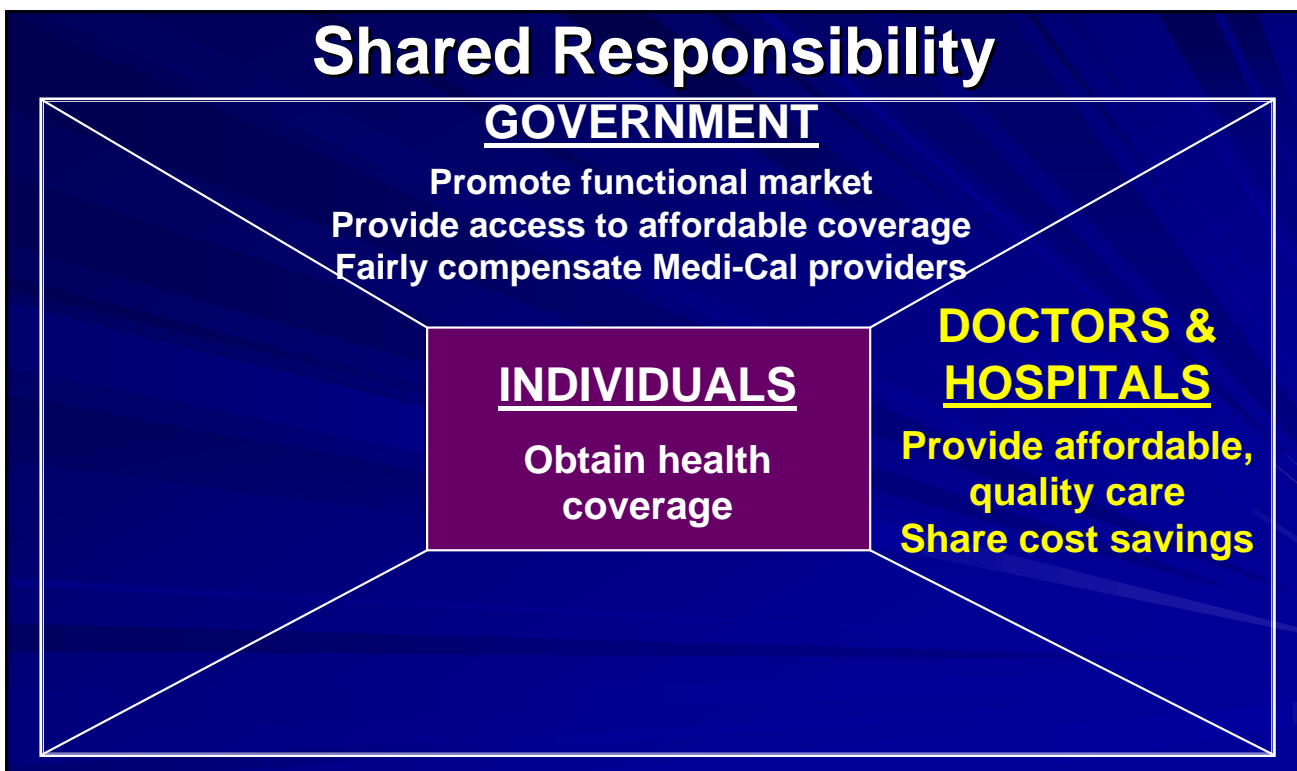
Shared Responsibility



Fixing the Broken System



Shared Responsibility



Redistribution to Providers

New Funds to Providers

\$10 - \$15 Billion

\$3.5 Billion

Coverage Dividend from Providers

Fixing the Broken System

GOVERNMENT

DOCTORS & HOSPITALS

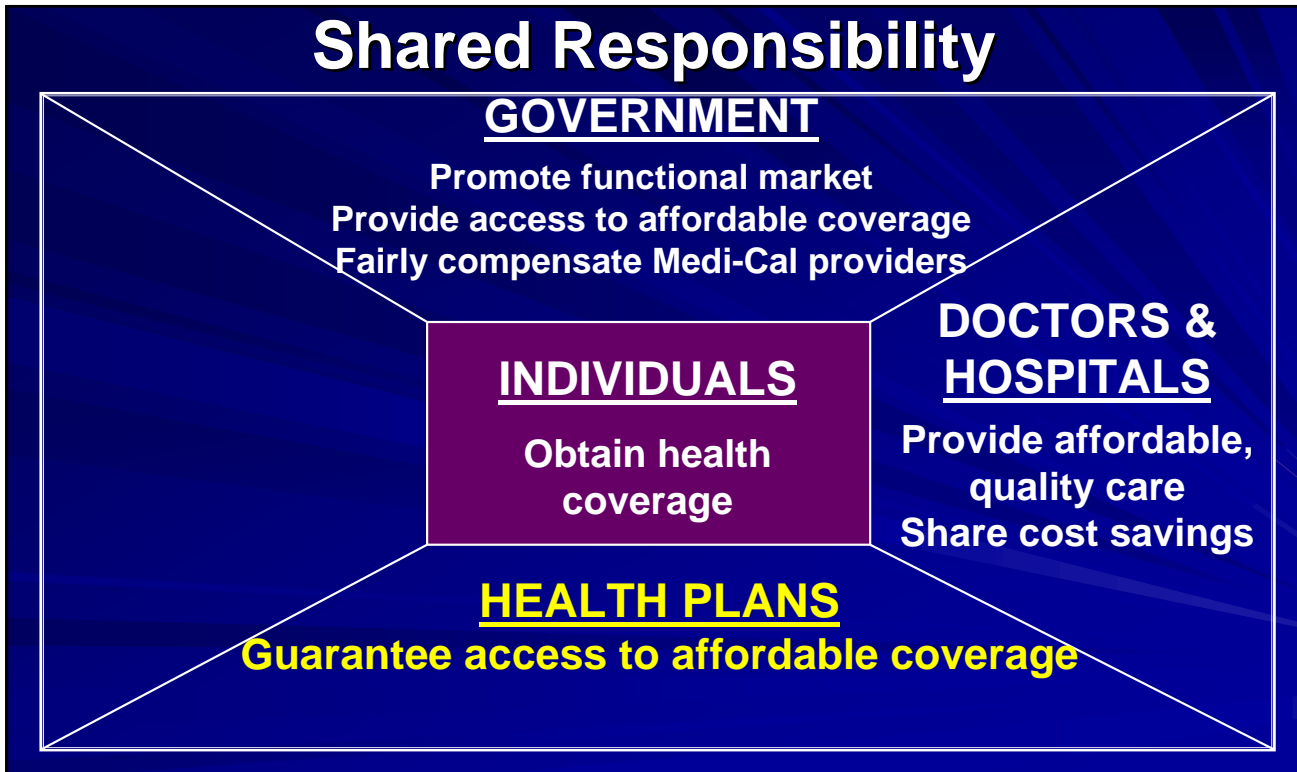
- 2% fee on physician revenues –
4% on hospital revenues
- Participation in patient safety initiatives
- At least 85% of hospital payments spent on patient care

EMPLOYERS

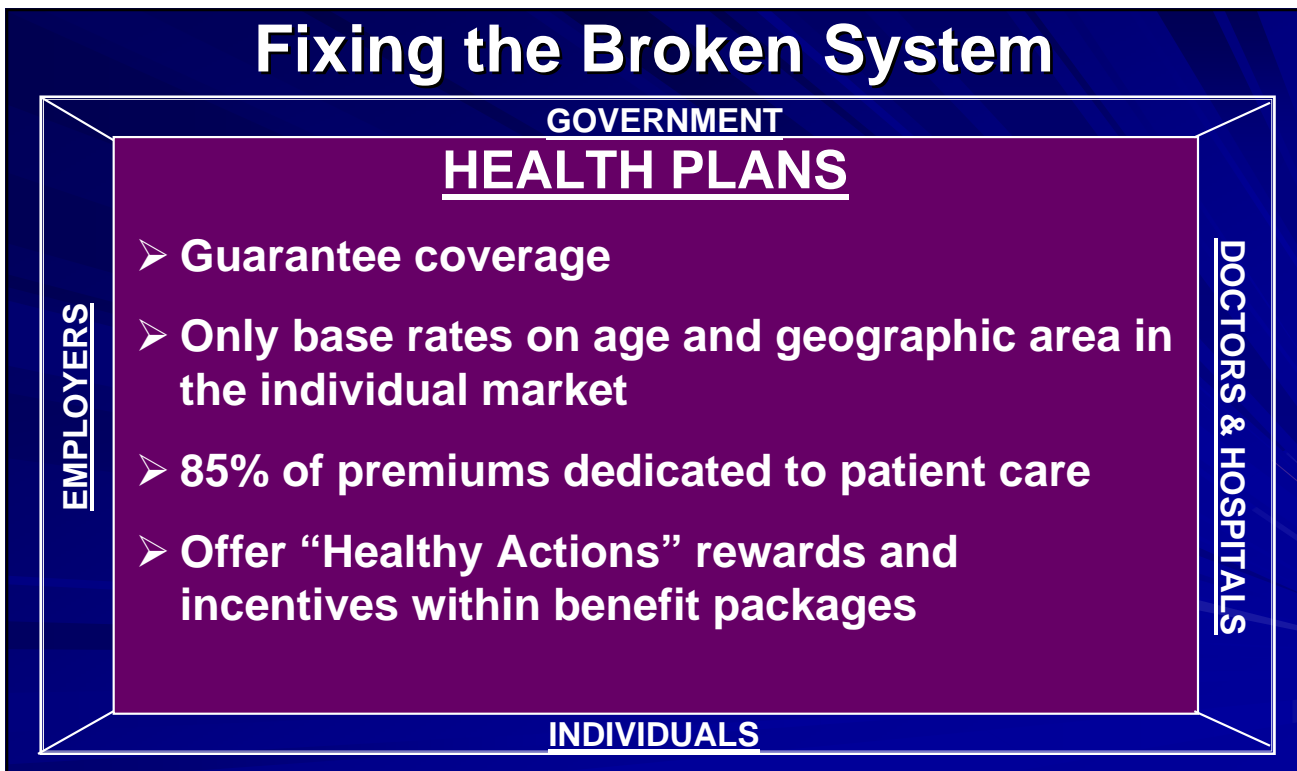
INDIVIDUALS

HEALTH PLANS

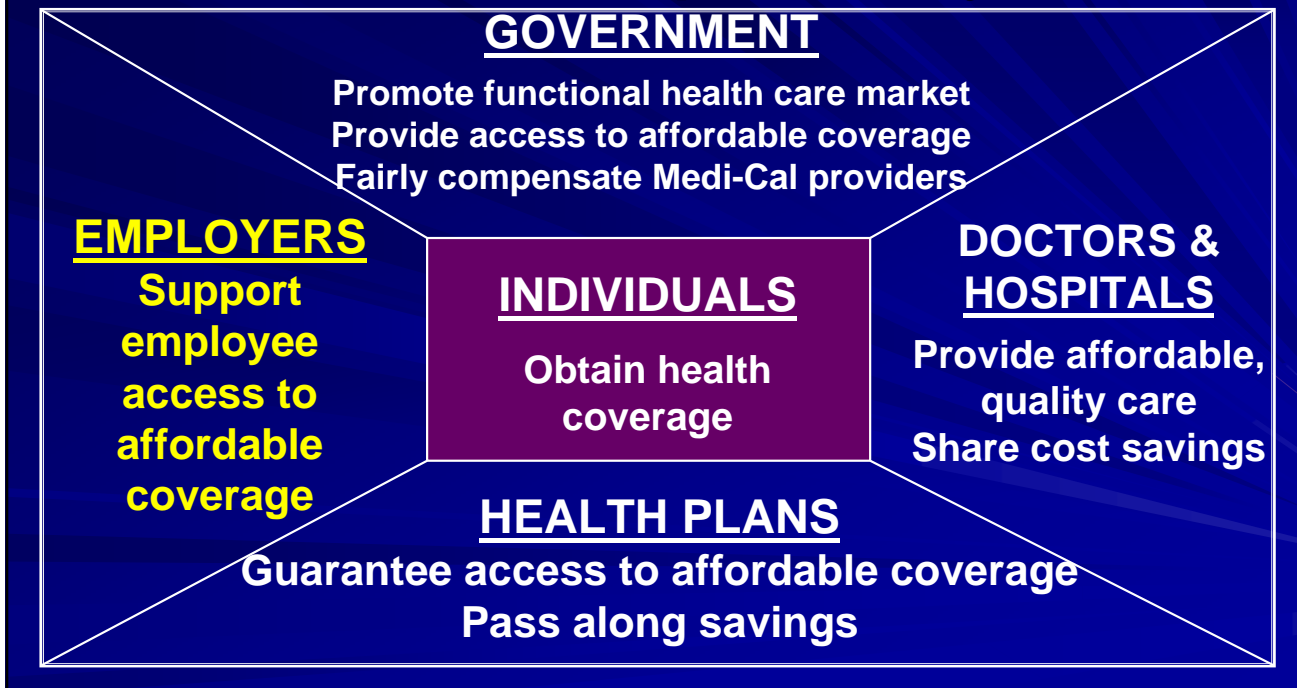
Shared Responsibility



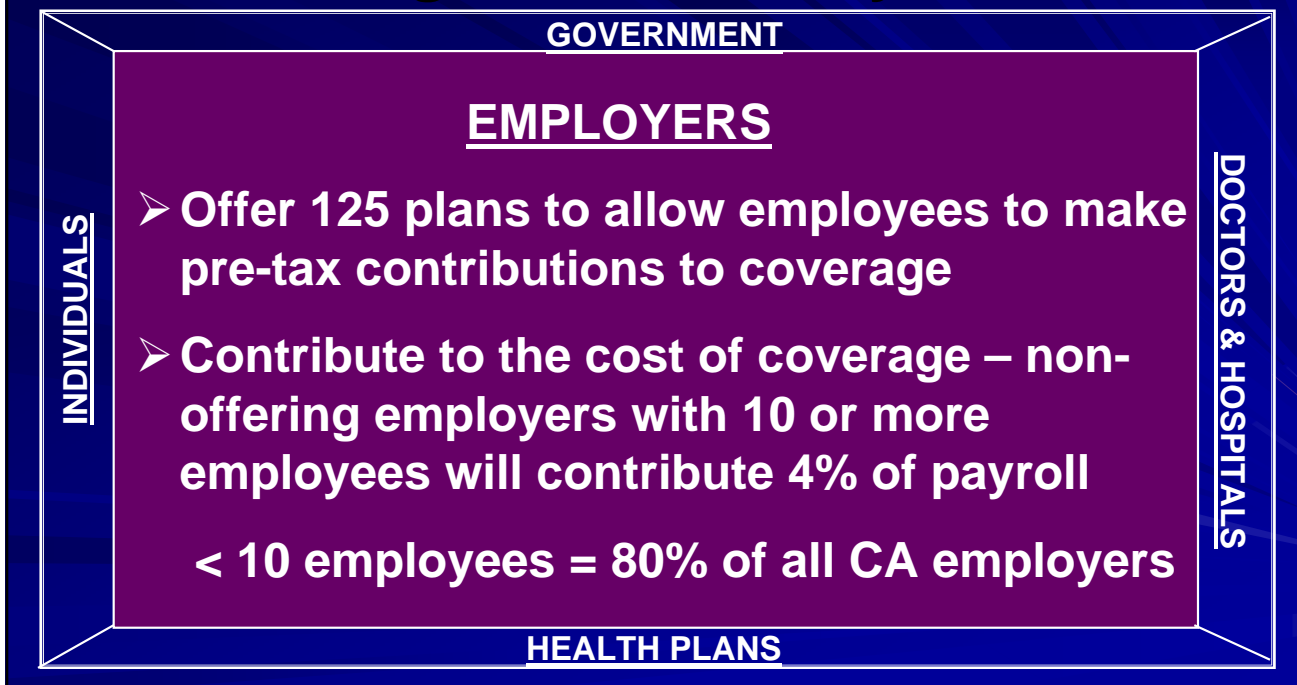
Fixing the Broken System



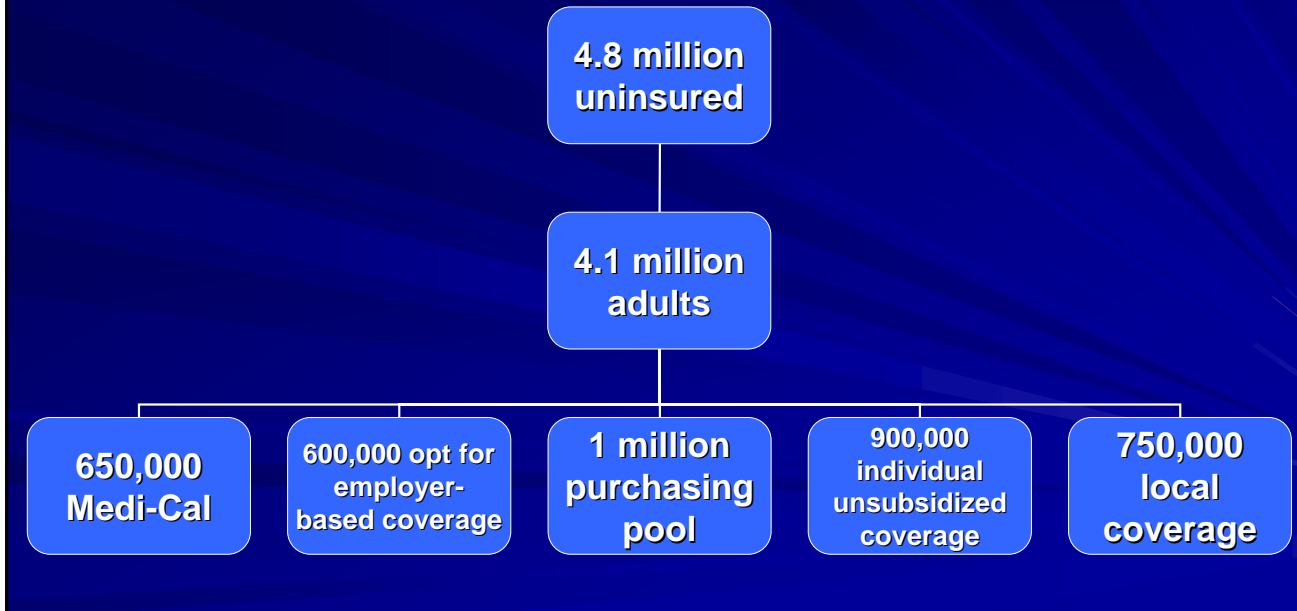
Shared Responsibility



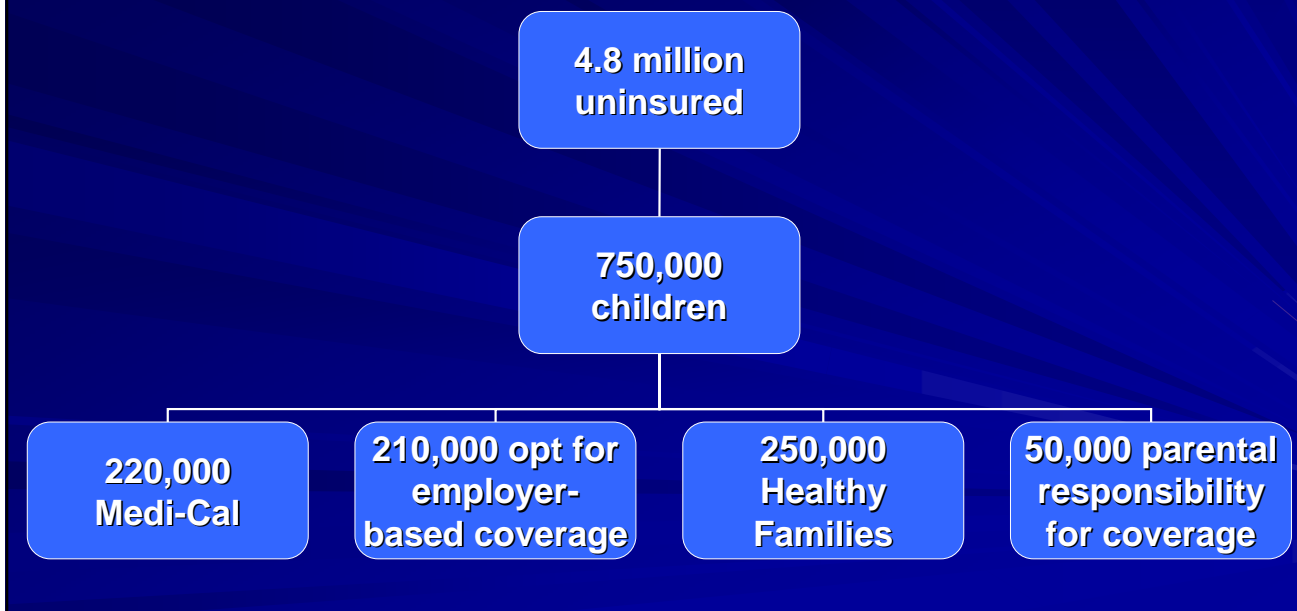
Fixing the Broken System



Universal Coverage - Adults



Universal Coverage - Children



Governor's Health Care Initiative

- **Prevention / Wellness**
- **Shared Responsibility**
/ Coverage for All
- **Affordability**

Affordability: Short Term

- Reduce hidden tax
- Tax breaks for individuals & businesses tied to purchase of health insurance
- Enhance insurer & hospital efficiency by requiring 85% of premiums & hospital dollars on patient care
- Remove regulatory barriers
- Reduce regulatory red tape

Affordability: Short Term

- Remove regulatory barriers:
 - Barriers to low-cost delivery models (e.g. retail medical clinics)
 - 24-Hour Coverage Pilot: Combine workers' compensation with traditional health coverage
 - Cal-PERS opt-in for private sector
 - Prioritize hospital seismic retrofit based on “worst first”

Affordability: Short Term

- Reduce regulatory red tape that stifles health plan product innovation and increases cost

Affordability: Long-Term

- Health prevention & wellness
- Health IT: Paperless system w/ strong privacy protections within 10 years
- Medi-Cal rate increases tied to performance measures
- Enhance health care quality & efficiency through improved performance measurement
- Monitor & evaluate market function & costs and revise as necessary

Affordability: Long-Term

- Enhance health care quality & efficiency through improved performance measurement
- Monitor & evaluate market function & costs
 - Revise as necessary

Fixing Our Broken System: Shared Responsibility

- Reduce the hidden tax;
lower costs
- Coverage for all; support
better care
- Healthy California

FISCAL IMPACT

